

GUTHRIE COUNTY HOSPITAL
INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2015 AND 2014

GUTHRIE COUNTY HOSPITAL

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GUTHRIE COUNTY HOSPITAL
Officials
June 30, 2015

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Roberta Simmons, Chairperson	Panora, Iowa	2018
Chris Schafer, Vice-Chairperson	Adair, Iowa	2016
Peg Shroyer, Secretary	Panora, Iowa	2020
Jim Robson, Treasurer	Guthrie Center, Iowa	2018
Mary Sheeder	Guthrie Center, Iowa	2016
Gene Newell	Guthrie Center, Iowa	2016
Ryan Ketelsen	Panora, Iowa	2020
<u>Chief Executive Officer:</u>		
Patrick Peters	Dexter, Iowa	
<u>Chief Financial Officer:</u>		
Melinda Alt	Audubon, Iowa	

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Guthrie County Hospital
Guthrie Center, Iowa

Report on the Financial Statements

We have audited the accompanying statements of net position of Guthrie County Hospital as of June 30, 2015 and 2014 and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Hospital's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Trustees
Guthrie County Hospital

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Bases for Qualified Opinion

The financial statements do not include an estimate of an Other Post Employment Benefits (OPEB) liability for an implicit health insurance premium rate subsidy resulting from the legal requirement to allow employees retiring after age 55 to remain on the Hospital's healthcare plan until age 65. Accounting principles generally accepted in the United States of America require that any material liability resulting from this OPEB requirement be included in the financial statements (Note J).

The financial statements do not include financial data for the Hospital's legally separate component unit, Guthrie County Hospital Foundation. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the Hospital unless the Hospital also issues financial statements for the financial reporting entity that include the financial data for its component unit. The Hospital has not issued such reporting entity financial statements (Notes A and I).

Qualified Opinion

In our opinion, except for the effect of not including an estimated OPEB liability for the implicit health insurance premium rate subsidy and the effect of omitting the discretely presented component unit, as discussed in the previous section, the financial statements referred to above present fairly in all material respects, the financial position of Guthrie County Hospital as of June 30, 2015 and 2014 and the results of its operations, changes in financial position, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note H to the financial statements, Guthrie County Hospital adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment to GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Budgetary Comparison Information, and the Schedules of the Hospital's Proportionate Share of the Net Pension Liability and of Hospital Contributions (and the related notes) on pages 3 through 3g and on pages 26 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Trustees
Guthrie County Hospital

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Guthrie County Hospital's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2013 (which are not presented herein) and expressed a qualified opinion for June 30, 2013, and unmodified opinions for June 30, 2012 and 2011. The supplementary information on pages 1 and 31 through 46 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 23, 2015 on our consideration of Guthrie County Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Atkinson, Bill, CPA - w. P.C.

Atlantic, Iowa
September 23, 2015



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GUTHRIE COUNTY HOSPITAL Management's Discussion and Analysis

Our discussion and analysis of Guthrie County Hospital's financial performance provides an overview of the Hospital's financial activity for the fiscal years ended June 30, 2015 and 2014. We encourage readers to consider it in conjunction with the Hospital's financial statements, which follow.

FINANCIAL HIGHLIGHTS

The Hospital's total assets and deferred outflows of resources increased approximately \$1,180,000 during fiscal year 2015. Net position, or total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources, decreased by approximately \$4,461,000 during fiscal 2015, a decrease of approximately 42.4 percent. See 3a for explanation of July 1, 2014 decrease.

The Hospital reported operating revenues for the year of \$13.4 million, an increase of approximately \$505,000 or 3.9 percent. Net revenues, or revenues after all expenditures, for 2015 were \$376,000, an increase of \$655,000 from 2014.

The Hospital reported expenditures for the year of \$14.6 million, a decrease of approximately \$120,000 or 0.8 percent.

USING THIS ANNUAL REPORT

The basic financial statements of the Hospital report information about the Hospital using Governmental Accounting Standards Board (GASB) accounting principles. The Hospital's financial statements consist of three statements - a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows. These statements offer short-term and long-term financial information about its activities.

One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all assets (restricted and unrestricted), all deferred outflows of resources, all liabilities and all deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

These two statements report the Hospital's net position, which is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources as one way to measure the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, to assess the overall health of the Hospital. Such non-financial factors could include changes in the Hospital's patient base, measures of the quality of service it provides to the community, and local economic factors, as well as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. The primary purpose of this statement is to provide information about the Hospital's cash from operations, investing, and financing activities, and to provide answers to such questions as "Where did cash come from?", "What was cash used for?", and "What was the change in cash balance during the reporting period?"

These financial statements and related notes also provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by contributors, grantors, or enabling legislation.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

THE HOSPITAL'S NET POSITION

The Hospital's net position is the difference between its assets and deferred outflows of resources and liabilities and deferred inflows of resources reported in the Statement of Net Position on page 4. The following table, Table 1, presents a summary of the Hospital's Statements of Net Position.

Table 1
Condensed Statements of Net Position

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets and Deferred Outflows of Resources:			
Current assets	\$ 7,126,673	\$ 5,376,793	\$ 5,166,519
Capital assets, net	9,930,992	10,937,540	11,668,217
Other noncurrent assets	79,867	100,856	121,844
Deferred outflows of resources	<u>458,436</u>	<u>--</u>	<u>--</u>
Total assets and deferred outflows of resources	<u>\$ 17,595,968</u>	<u>\$ 16,415,189</u>	<u>\$ 16,956,580</u>
Liabilities:			
Current liabilities	\$ 2,910,743	\$ 1,688,369	\$ 1,877,359
Long-term debt	2,070,588	2,670,431	3,266,354
Net pension liability	<u>3,608,795</u>	<u>--</u>	<u>--</u>
Total liabilities	<u>8,590,126</u>	<u>4,358,800</u>	<u>5,143,713</u>
Deferred Inflows of Resources	2,948,290	1,538,000	1,539,000
Net Position:			
Invested in capital assets, net of related debt	7,256,537	7,663,785	7,542,508
Restricted - expendable	241,977	241,616	243,435
Unrestricted	<u>(1,440,962)</u>	<u>2,612,988</u>	<u>2,487,924</u>
Total net position	<u>6,057,552</u>	<u>10,518,389</u>	<u>10,273,867</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 17,595,968</u>	<u>\$ 16,415,189</u>	<u>\$ 16,956,580</u>

A significant component of the change in the Hospital's assets is the cash balance as payment has been received by third-party payors, that could be payable back to them.

The most significant component of the change in the Hospital's liabilities was an increase in third-party payor settlements.

The Government Accounting Standards Board (GASB) required a change in the method of accounting for the Hospital's pension costs during the 2014-15 year. The requirement resulted in significant changes to: net position (\$4,843,469 decrease), long-term liabilities (\$5,375,193 increase), and created a deferred outflow of resources (\$531,724) as of July 1, 2014. See Notes H and M for an explanation of the change. Although the Hospital's financial statement reporting has changed significantly, the requirement will have no effect on the Hospital's actual operations.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

OPERATING RESULTS AND CHANGES IN THE HOSPITAL'S NET POSITION

The following table, Table 2, presents a summary of the Hospital's historical revenues and expenses for each of the fiscal years ended June 30, 2015, 2014, and 2013.

Table 2
Condensed Operating Results and Changes in Net Position

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenue:			
Net patient service revenue	\$ 13,251,173	\$ 12,718,690	\$ 12,757,643
Other revenue	<u>192,479</u>	<u>219,760</u>	<u>188,059</u>
Total revenue	<u>13,443,652</u>	<u>12,938,450</u>	<u>12,945,702</u>
Expenses:			
Salaries and benefits	8,119,659	8,533,274	8,777,383
Professional fees	982,477	917,638	715,590
Supplies, contract services, equipment & other operating expenses	4,141,820	3,873,229	4,030,987
Depreciation and amortization	<u>1,322,838</u>	<u>1,363,102</u>	<u>1,239,214</u>
Total expenses	<u>14,566,794</u>	<u>14,687,243</u>	<u>14,763,174</u>
Operating Loss	<u>(1,123,142)</u>	<u>(1,748,793)</u>	<u>(1,817,472)</u>
Nonoperating Revenues and Expenses:			
County taxes	1,599,882	1,594,179	1,583,731
Investment income	3,830	2,303	2,705
Noncapital grants and contributions	15,367	23,086	24,475
Interest expense	(119,875)	(142,841)	(165,704)
Other nonoperating revenues and expenses, net	<u>--</u>	<u>(7,253)</u>	<u>4,364</u>
	<u>1,499,204</u>	<u>1,469,474</u>	<u>1,449,571</u>
Excess of Revenues Over Expenses (Expenses Over Revenues) Before Capital Grants and Contributions	376,062	(279,319)	(367,901)
Capital Grants and Contributions	<u>6,570</u>	<u>523,841</u>	<u>548,941</u>
Increase in net position	382,632	244,522	181,040
Net Position Beginning of Year	<u>5,674,920</u>	<u>10,273,867</u>	<u>10,092,827</u>
Net Position End of Year	<u>\$ 6,057,552</u>	<u>\$ 10,518,389</u>	<u>\$ 10,273,867</u>

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

OPERATING LOSSES/INCOME

The first component of the overall change in the Hospital's net position is its operating loss - generally, the difference between net patient service revenues and the expenses incurred to perform those services. In each of the past three years, the Hospital has reported an operating loss. This is consistent with the Hospital's entire operating history. The Hospital's operations were begun in 1951 as a county hospital, when it was agreed that a portion of its costs would be subsidized by property tax revenues, making the facility more affordable for the County's lower income residents. In the current fiscal year, the operating loss decreased, partially due to a decrease in the recorded pension liability.

Management's goal in 2015, was to continue the effort to increase the volume of patients treated while positioning the Hospital and clinics to capture a greater portion of the Guthrie County health care market. Efforts continued to make the community more aware of the services provided at the Hospital.

In 2015 significant time and money investments were made to continue the process of positioning the Hospital to be more competitive in the primary and secondary health care market. During the year, we continued to market the family practice clinics in Stuart, Adair and Panora, along with our pediatrician who started seeing patients in July 2012

The primary component of the decrease in operating losses were a continual effort of management to monitor expenses. The expenses of the hospital decreased \$120,000 or 0.8 percent coupled with the increase in net operating revenues of \$505,000 or 3.9 percent.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

NON-OPERATING REVENUES AND EXPENSES

Non-operating revenues consist primarily of property taxes levied by the Hospital, interest income reported as investment earnings, and non capital grants and contributions.

The Hospital's Non-operating Revenues and Expenses increased by \$29,730 comparing fiscal 2015 versus 2014.

GRANTS, CONTRIBUTIONS, AND ENDOWMENTS

The Hospital actively seeks contributions through its Foundation and continues to explore applicable grant opportunities. During 2011, the Hospital was awarded a three year Broadband Technology Opportunities Program (BTOP) grant. The Hospital completed this grant in August 2013 and received \$498,220 from the BTOP grant in fiscal 2014.

THE HOSPITAL'S CASH FLOW

Changes in the Hospital's cash flows are consistent with changes in operating losses and non-operating revenues and expenses, as discussed earlier. Cash flows provided by operating activities for 2015 were \$1,356,558. Comparatively, for fiscal 2014, cash flows provided by operating activities were \$225,485, a net change of \$1,131,073.

BUDGETARY HIGHLIGHTS

The official county budget of the Hospital for the year ended June 30, 2015, was prepared on the modified accrual basis. Actual budget basis revenues were lower than the budgeted amount of \$15,616,400 by \$547,099, or about 3.5 percent. Actual expenditures were lower than budgeted expenditures as well. Actual budget basis expenditures were \$14,679,252 as compared to budgeted expenditures of \$15,599,000, a difference of \$919,748 or about 5.9 percent.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

During the fiscal year, the Hospital made capital investments totaling \$308,873. The following table, Table 3, presents a list of significant capital items:

Table 3
Capital Investments

<u>Capital Investments</u>	<u>Vendor</u>	<u>Department</u>	<u>2014 Cost</u>
Electronic Health System	Healthland	Clinic	\$ 115,644
Electronic Health System	Healthland	Laboratory	101,326

Capital assets for the years ended June 30, 2015, 2014, and 2013 are shown in the following table, Table 4:

Table 4
Capital Assets

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Land and land improvements	\$ 1,240,996	\$ 1,243,585	\$ 1,243,585
Buildings	11,836,924	11,839,096	11,734,497
Fixed equipment	2,095,361	2,085,301	2,077,409
Major movable equipment	6,141,279	6,143,955	5,731,286
Subtotal	21,314,560	21,311,937	20,786,777
Less accumulated depreciation	11,521,844	10,512,673	9,250,936
Construction in progress	138,276	138,276	132,376
Net capital assets	<u>\$ 9,930,992</u>	<u>\$ 10,937,540</u>	<u>\$ 11,668,217</u>

Net capital assets decreased as the Hospital has recently completed projects and current year depreciation exceeded current year acquisitions.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

Debt:

At year-end, the Hospital had \$2,670,430 in short-term and long-term debt. The total debt amount decreased by \$595,925 in fiscal year 2015. More detailed information about the Hospital's long-term liabilities is presented in the notes to the basic financial statements.

Total debt outstanding represents approximately 15.6% of the Hospital's total assets at June 30, 2015.

CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Hospital Administration.

GUTHRIE COUNTY HOSPITAL
Statements of Net Position
June 30,

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2015</u>	<u>Not Restated 2014</u>
Current Assets:		
Cash	\$ 3,395,975	\$ 1,441,006
Patient receivables, less allowances for doubtful accounts and for contractual adjustments (\$526,000 in 2015, \$415,800 in 2014)	1,282,169	1,509,792
Grant receivables	5,069	6,318
Other receivables	10,618	13,869
Inventory	362,451	334,430
Prepaid expense	237,010	256,458
Other current assets	18,559	20,373
Estimated third-party payor settlements	--	14,100
Succeeding year property tax receivable	1,572,000	1,538,000
Designated and restricted assets	<u>242,822</u>	<u>242,447</u>
Total current assets	7,126,673	5,376,793
Designated and Restricted Assets:		
Internally designated assets	845	831
Restricted assets	<u>241,977</u>	<u>241,616</u>
	242,822	242,447
Less amounts required to meet current liabilities	<u>242,822</u>	<u>242,447</u>
	--	--
Capital Assets:		
Depreciable capital assets, net	9,679,725	10,686,273
Non-depreciable capital assets	<u>251,267</u>	<u>251,267</u>
	9,930,992	10,937,540
Other Assets:		
Notes Receivable	40,714	54,286
Other	<u>39,153</u>	<u>46,570</u>
	79,867	100,856
Total assets	17,137,532	16,415,189
Deferred Outflows of Resources - Pension	<u>458,436</u>	--
Total assets and deferred outflows of resources	<u>\$ 17,595,968</u>	<u>\$ 16,415,189</u>

The accompanying notes are an integral part of these statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	<u>2015</u>	<u>Not Restated 2014</u>
Current Liabilities:		
Current maturities of long-term debt	\$ 599,842	\$ 595,924
Accounts payable	340,801	453,021
Accrued employee compensation	618,008	594,244
Payroll taxes withheld and accrued	50,010	45,034
Accrued interest payable	82	146
Estimated third-party payor settlements	<u>1,302,000</u>	<u>--</u>
Total current liabilities	2,910,743	1,688,369
Long-Term Liabilities:		
Revenue bonds, less current maturities	2,040,000	2,520,000
Capital lease obligation, less current maturities	30,588	150,431
Net pension liability	<u>3,608,795</u>	<u>--</u>
Total long-term liabilities	5,679,383	2,670,431
Total liabilities	8,590,126	4,358,800
Deferred Inflows of Resources:		
Deferred succeeding year property tax	1,572,000	1,538,000
Deferred pension cost	<u>1,376,290</u>	<u>--</u>
Total deferred inflows of resources	2,948,290	1,538,000
Net Position:		
Invested in capital assets, net of related debt	7,256,537	7,663,785
Restricted - expendable	241,977	241,616
Unrestricted	<u>(1,440,962)</u>	<u>2,612,988</u>
Total net position	6,057,552	10,518,389
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 17,595,968</u>	 <u>\$ 16,415,189</u>

GUTHRIE COUNTY HOSPITAL
Statements of Revenues, Expenses and Changes in Net Position
Year ended June 30,

	<u>2015</u>	<u>Not Restated 2014</u>
Revenue:		
Net patient service revenue	\$ 13,251,173	\$ 12,718,690
Other revenue	<u>192,479</u>	<u>219,760</u>
Total revenue	13,443,652	12,938,450
Expenses:		
Nursing service	3,598,124	3,503,685
Other professional service	4,501,286	4,337,233
Physician services	2,099,002	1,992,782
General service	1,229,467	1,225,110
Fiscal and administrative service	1,816,077	2,265,331
Provision for depreciation	1,315,421	1,355,685
Amortization	<u>7,417</u>	<u>7,417</u>
Total expenses	<u>14,566,794</u>	<u>14,687,243</u>
Operating Loss	(1,123,142)	(1,748,793)
Non-Operating Revenues (Expenses):		
County taxes	1,599,882	1,594,179
Investment income	3,830	2,303
Noncapital grants and contributions	15,367	23,086
Loss on disposal of assets	--	(7,253)
Interest expense	<u>(119,875)</u>	<u>(142,841)</u>
Non-operating revenues, net	<u>1,499,204</u>	<u>1,469,474</u>
Excess of Revenues Over Expenses (Expenses Over Revenues) Before Capital Grants and Contributions	376,062	(279,319)
Capital Grants and Contributions	<u>6,570</u>	<u>523,841</u>
Increase in Net Position	382,632	244,522
Net Position Beginning of Year	<u>5,674,920</u>	<u>10,273,867</u>
Net Position End of Year	<u>\$ 6,057,552</u>	<u>\$ 10,518,389</u>

The accompanying notes are an integral part of these statements.

GUTHRIE COUNTY HOSPITAL
Statements of Cash Flows
Year ended June 30,

	<u>2015</u>	<u>Not Restated 2014</u>
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 14,798,147	\$ 13,303,304
Cash paid to suppliers	(7,443,799)	(7,001,915)
Cash paid to employees	(6,190,269)	(6,295,664)
Other revenue	192,479	219,760
Net cash provided by operating activities	<u>1,356,558</u>	<u>225,485</u>
Cash flows from non-capital financing activities:		
County tax revenue	1,599,882	1,594,179
Noncapital grants and contributions	<u>16,616</u>	<u>21,257</u>
Net cash provided by non-capital financing activities	1,616,498	1,615,436
Cash flows from capital and related financing activities:		
Capital grants and contributions	6,570	686,593
Capital expenditures	(312,248)	(878,680)
Construction in progress expenditures	--	(5,900)
Principal paid on long-term debt	(480,000)	(487,500)
Principal paid on capital leases	(115,925)	(112,135)
Interest paid	<u>(119,939)</u>	<u>(142,902)</u>
Net cash used in capital and related financing activities	(1,021,542)	(940,524)
Cash flows from investing activities:		
Investment income	3,830	2,303
Change in designated and restricted assets	<u>(242)</u>	<u>486</u>
Net cash provided by investing activities	<u>3,588</u>	<u>2,789</u>
Net increase in cash and cash equivalents	1,955,102	903,186
Cash and cash equivalents at beginning of year	<u>1,443,198</u>	<u>540,012</u>
Cash and cash equivalents at end of year	<u>\$ 3,398,300</u>	<u>\$ 1,443,198</u>
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and cash equivalents in current assets	\$ 3,395,975	\$ 1,441,006
Cash and cash equivalents in designated and restricted assets	<u>2,325</u>	<u>2,192</u>
Total cash and cash equivalents	<u>\$ 3,398,300</u>	<u>\$ 1,443,198</u>

(continued next page)

GUTHRIE COUNTY HOSPITAL
Statements of Cash Flows - Continued
Year ended June 30,

	<u>2015</u>	<u>Not Restated 2014</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$(1,123,142)	\$(1,748,793)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	1,315,421	1,355,685
Amortization	20,989	20,988
Change in assets and liabilities		
Accounts receivable	230,874	469,814
Inventory	(28,021)	(29,755)
Prepaid expense	19,448	(24,524)
Other current assets	1,814	168
Deferred outflows of resources	73,288	--
Accounts payable, trade	(108,845)	49,786
Accrued employee compensation	23,764	16,227
Payroll taxes withheld and accrued	4,976	1,089
Estimated third-party payor settlements	1,316,100	114,800
Net pension liability	(1,766,398)	--
Deferred inflows of resources	1,376,290	--
Total adjustments	<u>2,479,700</u>	<u>1,974,278</u>
Net cash provided by operating activities	<u>\$ 1,356,558</u>	<u>\$ 225,485</u>

The accompanying notes are an integral part of these statements.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2015 and 2014

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

1. Reporting Entity

Guthrie County Hospital (the Hospital) is a critical access county hospital with related healthcare ancillary and outpatient services. The Hospital is organized under Chapter 347 of the Code of Iowa, accordingly is a political subdivision of the State of Iowa, and is therefore exempt from federal and state income taxes. It is governed by a seven member board of trustees elected for six year terms. The Hospital has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The criteria for determining financial accountability include: appointing a majority of an organization's governing body, and (a) the Hospital's ability to impose its will on that organization, or (b) the potential for the organization to provide benefits to or impose financial burdens on the Hospital. The Hospital has identified one component unit: Guthrie County Hospital Foundation (the Foundation). Substantially all of the economic resources of the Foundation are designated for the direct benefit of the Hospital. The Hospital has elected not to discreetly present the financial statements of the Foundation. See Note I.

2. Basis of Presentation

The Statement of Net Position displays the Hospital's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position in a balance sheet format. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position:

- a. *Nonexpendable* - Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Hospital.
- b. *Expendable* - Expendable net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

When both restricted and unrestricted net position is available for use, generally it is the Hospital's policy to use restricted net position first.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2015 and 2014

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

3. Measurement Focus and Basis of Accounting

Measurement focus refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying basic financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

4. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less including designated and restricted assets.

6. Accounts Receivable

Accounts receivable are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on an aging of all the individual patient balances.

7. Inventory Valuation

Inventory is valued at the lower of cost (first-in, first-out method) or market.

8. Investments

Investments are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in non-operating revenue when earned, unless restricted by donor or law.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2015 and 2014

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

9. Designated and Restricted Assets

Internally designated assets consist primarily of funds designated by the Board of Trustees for capital acquisitions. The Board retains control over these funds, and may, at its discretion, subsequently use them for other purposes. Restricted assets include donor restricted gifts, and funds whose use is limited by law or contractual agreements.

10. Capital Assets

The Hospital's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Capital assets with lives in excess of two years and cost in excess of \$5,000 are capitalized. These capital assets, other than land, are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using their estimated useful lives (fifteen to fifty years for buildings and land improvements and three to twenty years for equipment).

11. Costs of Borrowing

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The Hospital did not capitalize any interest cost in 2015 or 2014.

12. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

13. Property Tax Levy

Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for that year. The succeeding year property tax receivable has been recorded as a current asset and the related property tax revenue has been recorded as a deferred inflow of resources. Property tax revenue is reported as non-operating revenue when collected by the County Treasurer.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2015 and 2014

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

14. Compensated Absences

Hospital policies permit most employees to accumulate vacation, holiday, and sick time benefits that may be realized as paid time off. Expense and the related liability are recognized as benefits are earned. Compensation absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

15. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

16. Statement of Revenues, Expenses and Changes in Net Position

For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenues and expenses. Property tax levied to finance the current year is included as non-operating revenues and peripheral or incidental transactions are reported as non-operating revenues and expenses.

17. Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

18. Grants and Contributions

Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2015 and 2014

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

19. Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Revenue from services to these patients is automatically recorded in the accounting system at the established rates, but the Hospital does not pursue collection of the amounts. The resulting adjustments are recorded as bad debts or charity service depending on the timing of the charity determination.

NOTE B - THIRD-PARTY PAYOR ARRANGEMENTS

A summary of the payment arrangements with major third-party payors follows:

Medicare and Medicaid - Inpatient services and most outpatient services related to program beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for the cost of services at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediaries. The Hospital's Medicare cost reports have been audited and finalized by the fiscal intermediaries through June 30, 2013 (Medicaid through June 30, 2012). However, finalized cost reports are subject to re-opening by the intermediaries within three years after the date of finalization. Outpatient services not paid based on a cost reimbursement methodology are paid based on a prospectively determined fee schedule.

The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2015 and 2014

NOTE C - RESTRICTED NET POSITION

Restricted expendable assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Long-term debt	\$ 240,421	\$ 240,060
Purchase of property and equipment	<u>1,556</u>	<u>1,556</u>
	<u>\$ 241,977</u>	<u>\$ 241,616</u>

The Hospital has no restricted non-expendable assets or endowments at June 30, 2015 or 2014.

Following is a summary of the use of temporarily restricted assets during the year ended June 30:

	<u>2015</u>	<u>2014</u>
Purchase of property and equipment	\$ 6,570	\$ 525,281
Payment of long-term debt	<u>--</u>	<u>379</u>
	<u>\$ 6,570</u>	<u>\$ 525,660</u>

NOTE D - DEPOSITS AND INVESTMENTS

The Hospital's deposits at June 30, 2015 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. Investments are stated as indicated in Note A.

The Hospital is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; common stocks; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2015 and 2014

NOTE D - DEPOSITS AND INVESTMENTS - Continued

The composition of designated and restricted assets is as follows:

	<u>2015</u>	<u>2014</u>
Internally Designated Assets:		
Cash and cash equivalents	\$ 769	\$ 636
GNMA pool	<u>76</u>	<u>195</u>
	<u>\$ 845</u>	<u>\$ 831</u>
Restricted Assets:		
Certificates of deposit	\$ 240,421	\$ 240,060
Cash and cash equivalents	<u>1,556</u>	<u>1,556</u>
	<u>\$ 241,977</u>	<u>\$ 241,616</u>

Interest Rate Risk - The Hospital's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Hospital.

NOTE E - ACCOUNTS RECEIVABLE AND CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2015 and 2014, was as follows:

	<u>2015</u>	<u>2014</u>
Receivable from:		
Patients	\$ 438,454	\$ 377,161
Medicare	616,464	747,225
Medicaid	115,224	67,131
Wellmark	239,329	281,407
Other commercial insurance carriers	<u>398,698</u>	<u>452,668</u>
	1,808,169	1,925,592
Less allowances for doubtful accounts and contractual adjustments	<u>526,000</u>	<u>415,800</u>
	<u>\$ 1,282,169</u>	<u>\$ 1,509,792</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2015 and 2014

NOTE F - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended June 30, 2015 and 2014 were as follows:

<u>Cost</u>	<u>Balance 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2015</u>
Land Improvements	\$ 1,130,594	\$ 6,900	\$ 9,489	\$ 1,128,005
Buildings	11,839,096	--	2,172	11,836,924
Fixed Equipment	2,085,301	10,060	--	2,095,361
Major Movable Equipment	<u>6,143,955</u>	<u>291,913</u>	<u>294,589</u>	<u>6,141,279</u>
	21,198,946	308,873	306,250	21,201,569
<u>Depreciation</u>				
Land Improvements	551,096	56,299	9,489	597,906
Buildings	4,715,435	394,076	2,172	5,107,339
Fixed Equipment	1,376,429	106,216	--	1,482,645
Major Movable Equipment	<u>3,869,713</u>	<u>758,830</u>	<u>294,589</u>	<u>4,333,954</u>
Total Depreciation	<u>10,512,673</u>	<u>1,315,421</u>	<u>306,250</u>	<u>11,521,844</u>
Total Depreciable Capital Assets, Net	<u>\$ 10,686,273</u>	<u>\$(1,006,548)</u>	<u>\$ --</u>	<u>\$ 9,679,725</u>
Construction in Progress	\$ 138,276	\$ --	\$ --	\$ 138,276
Land	<u>112,991</u>	<u>--</u>	<u>--</u>	<u>112,991</u>
Total Non-Depreciable Capital Assets	<u>\$ 251,267</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 251,267</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2015 and 2014

NOTE F - CAPITAL ASSETS - Continued

<u>Cost</u>	<u>Balance 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2014</u>
Land Improvements	\$ 1,130,594	\$ --	\$ --	\$ 1,130,594
Buildings	11,734,497	104,599	--	11,839,096
Fixed Equipment	2,077,409	8,977	1,085	2,085,301
Major Movable Equipment	<u>5,731,286</u>	<u>512,785</u>	<u>100,116</u>	<u>6,143,955</u>
	20,673,786	626,361	101,201	21,198,946
<u>Depreciation</u>				
Land Improvements	490,828	60,268	--	551,096
Buildings	4,301,039	414,396	--	4,715,435
Fixed Equipment	1,276,275	101,239	1,085	1,376,429
Major Movable Equipment	<u>3,182,794</u>	<u>779,782</u>	<u>92,863</u>	<u>3,869,713</u>
Total Depreciation	<u>9,250,936</u>	<u>1,355,685</u>	<u>93,948</u>	<u>10,512,673</u>
Total Depreciable Capital Assets, Net	<u>\$ 11,422,850</u>	<u>\$ (729,324)</u>	<u>\$ 7,253</u>	<u>\$ 10,686,273</u>
Construction in Progress	\$ 132,376	\$ 5,900	\$ --	\$ 138,276
Land	<u>112,991</u>	<u>--</u>	<u>--</u>	<u>112,991</u>
Total Non-Depreciable Capital Assets	<u>\$ 245,367</u>	<u>\$ 5,900</u>	<u>\$ --</u>	<u>\$ 251,267</u>

NOTE G - LONG-TERM LIABILITIES

A schedule of changes in the Hospital's long-term liabilities for the years ended June 30, 2015 and 2014 follows:

	<u>Balance 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2015</u>	<u>Current Portion</u>
Long-Term Debt:					
Series 2006 Revenue Bonds	\$1,080,000	\$ --	\$ 160,000	\$ 920,000	\$ 160,000
Series 2009 Revenue Bonds	1,920,000	--	320,000	1,600,000	320,000
Capital Lease Obligation	266,355	--	115,925	150,430	119,842
Net Pension Liability	<u>--</u>	<u>3,608,795</u>	<u>--</u>	<u>3,608,795</u>	<u>--</u>
Total Long-Term Liabilities	<u>\$3,266,355</u>	<u>\$3,608,795</u>	<u>\$ 595,925</u>	<u>\$6,279,225</u>	<u>\$ 599,842</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2015 and 2014

NOTE G - LONG-TERM LIABILITIES - Continued

	<u>Balance</u> <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>2014</u>	<u>Current</u> <u>Portion</u>
Long-Term Debt:					
Rural Economic Development Loan	\$ 7,500	\$ --	\$ 7,500	\$ --	\$ --
Series 2006 Revenue Bonds	1,240,000	--	160,000	1,080,000	160,000
Series 2009 Revenue Bonds	2,240,000	--	320,000	1,920,000	320,000
Capital Lease Obligation	<u>378,490</u>	<u>--</u>	<u>112,135</u>	<u>266,355</u>	<u>115,924</u>
Total Long-Term Liabilities	<u>\$3,865,990</u>	<u>\$ --</u>	<u>\$ 599,635</u>	<u>\$3,266,355</u>	<u>\$ 595,924</u>

In September, 2008, the Hospital borrowed \$150,000 through the Guthrie County Rural Electric Cooperative under the Rural Economic Development Loan and Grant Program. The loan was non-interest bearing and payable in twenty equal quarterly installments. The loan was paid off during the year ended June 30, 2014.

The Series 2006 Hospital Revenue Bonds were issued in May, 2006 in a principal amount up to \$2,200,000. The bonds carry an interest rate of 4.00% per annum through September 30, 2015. On September 30, 2015 and again on September 30, 2018, the rate will be adjusted to 0.50% over the "constant maturity" index of the three year U.S. Treasury Note rate in effect on those dates, provided however, that no adjusted interest rate shall be 2% higher or lower than the immediately preceding adjusted interest rate and no adjusted interest rate shall exceed 8% per annum or be less than 4% per annum. The bonds mature in quarterly installments of principal in the amount of \$40,000 plus interest. The bonds are payable from and secured by a lien on net revenues of the Hospital.

The Series 2009 Hospital Revenue Bonds were issued in September, 2009 in a principal amount up to \$3,200,000. The bonds carry an interest rate of 4.00% per annum through September 30, 2015. On September 30, 2015 and again on September 30, 2018, the rate will be adjusted to 0.50% over the "constant maturity" index of the three year U.S. Treasury Note rate in effect on those dates, provided however, that no adjusted interest rate shall be 2% higher or lower than the immediately preceding adjusted interest rate and no adjusted interest rate shall exceed 8% per annum or be less than 4% per annum. The bonds mature in quarterly installments of principal in the amount of \$80,000 plus interest. The bonds are payable from and secured by a lien on net revenues of the Hospital.

The combined annual debt service on the loan, bonds, and capital lease obligation is expected to require less than 40% of cash flow available for debt service. For the current year, debt service and cash flow available for debt service were approximately \$716,000 and \$1,825,000, respectively.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2015 and 2014

NOTE G - LONG-TERM LIABILITIES - Continued

Under the terms of the bond resolution, the Hospital is required to maintain certain deposits with a bank. Such deposits are included with restricted assets in the financial statements. The bond resolution also places limits on the incurrence of additional borrowings and requires that the Hospital satisfy certain measures of financial performance as long as the notes are outstanding.

Assets recorded under capital leases, which carry an interest rate of 3.33%, consist of major movable equipment items with totals as follows:

	2015	2014
Cost	\$ 578,305	\$ 578,305
Less: Accumulated Amortization	433,729	318,068
Net Book Value	<u>\$ 144,576</u>	<u>\$ 260,237</u>

Scheduled principal and interest repayments on long-term debt are as follows:

Year Ending June 30,	Long-Term Debt		Capital Leases		Total
	Principal	Interest	Principal	Interest	
2016	\$ 480,000	\$ 93,780	\$ 119,842	\$ 3,189	\$ 696,811
2017	480,000	74,422	30,589	170	585,181
2018	480,000	55,222	--	--	535,222
2019	480,000	36,022	--	--	516,022
2020	480,000	16,822	--	--	496,822
2021	120,000	2,400	--	--	122,400
	<u>\$ 2,520,000</u>	<u>\$ 278,668</u>	<u>\$ 150,431</u>	<u>\$ 3,359</u>	<u>\$ 2,952,458</u>

The pension liability, as further described in Note H, represents an actuarial estimate of the Hospital's share of the Iowa Public Employee Retirement System (IPERS) unfunded pension liability.

NOTE H - PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the Hospital, except for those covered by another retirement system. Employees of the Hospital are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2015 and 2014

NOTE H - PENSION PLAN - Continued

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2015 and 2014

NOTE H - PENSION PLAN - Continued

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the Hospital contributed 8.93% for a total rate of 14.88%.

The Hospital's contributions to IPERS for the year ended June 30, 2015 were \$524,990.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the Hospital reported a liability of \$3,608,795 for its proportionate share of the net pension liability. The Hospital net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Hospital's proportion of the net pension liability was based on the Hospital's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Hospital's proportion was 0.089170%, which was a decrease of 0.005764% from its proportion measured as of June 30, 2013. For the year ended June 30, 2015, the Hospital recognized pension expense of \$208,170. At June 30, 2015, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 39,221	\$ --
Changes of assumptions	159,264	--
Net difference between projected and actual earnings on pension plan investments	--	1,376,290
Changes in proportion and differences between Hospital contributions and proportionate share of contributions	(265,039)	--
Hospital contributions subsequent to the measurement date	<u>524,990</u>	<u>--</u>
	<u>\$ 458,436</u>	<u>\$ 1,376,290</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2015 and 2014

NOTE H - PENSION PLAN - Continued

The \$524,990, reported as deferred outflows of resources related to pensions resulting from the Hospital contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2016	\$(359,623)
2017	(359,623)
2018	(359,623)
2019	(359,623)
2020	<u>(4,352)</u>
	<u><u>\$(1,442,844)</u></u>

There were no non-employer contribution entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00%
Salary increases (effective June 30, 2014)	4.00%, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50% per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2015 and 2014

NOTE H - PENSION PLAN - Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Hospital will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Hospital's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Hospital's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Hospital's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Hospital's proportionate share of the net pension liability	<u>\$ 6,818,716</u>	<u>\$ 3,608,795</u>	<u>\$ 899,288</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2015 and 2014

NOTE H - PENSION PLAN - Continued

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the Hospital reported payables to the defined benefit pension plan of \$23,771 for legally required employer contributions and \$ - 0 - for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

NOTE I - AFFILIATED ORGANIZATION

Unity Point Health (Unity Point)

The Hospital entered into an operating agreement with Unity Point effective January 1, 2014. Under the agreement, the Hospital's Chief Executive Officer is an employee of Unity Point and the Hospital reimburses Unity Point for the cost of the Chief Executive Officer's salary and benefits. The Hospital also pays a monthly fee to Unity Point for management services. Under the terms of the agreement, Unity Point provides management oversight services and consults and works with the Hospital's board in formulating management strategies and recommendations regarding operations. Below is a list of transactions between the Hospital and this affiliate for the years ended June 30, 2015 and 2014:

	2015	2014
Fees to Unity Point for personnel and services	\$ 218,750	\$ 109,375

Guthrie County Hospital Foundation (the Foundation)

As indicated in Note A1, the Foundation has been identified as a component unit of the Hospital. A summary of the Foundation's assets, liabilities and net position as of June 30, 2015 and 2014 follows:

	(Unaudited) 2015	2014
Assets	\$ 220,626	\$ 188,634
Net Position	\$ 220,626	\$ 188,634

The Hospital received \$6,570 and \$26,604 from the Foundation during the years ended June 30, 2015 and 2014, respectively, for the purchase of property and equipment. As of June 30, 2015, the Foundation has no material pledges receivable related to Hospital projects.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2015 and 2014

NOTE J - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: As required by state law, the Hospital offers health insurance to former employees who have retired after age 55, but have not reached Medicare eligibility. The fully insured plan is a part of the plan offered to all Hospital employees, and the retirees must pay the full cost of the health insurance premium equal to that charged for current employees. There are 85 active employees and 0 retirees currently covered by the health insurance plan.

Funding Policy: The Hospital does not set aside funds to pay for any OPEB liability. Any Hospital costs of an implicit health insurance premium rate subsidy are charged to expense in the year paid.

Net OPEB Obligation: Management of the Hospital considers any OPEB obligation, which may exist, to be immaterial. Therefore the Hospital has elected to not obtain an actuarial evaluation of the OPEB liability.

Generally accepted accounting principles, established under GASB Statement No. 45, require that an actuarial or alternative computation of a liability be completed. The independent auditor's report regarding the financial statements has been qualified as a result of not obtaining the required evaluation and not recording any potential material OPEB liability.

NOTE K - COMMITMENTS AND CONTINGENCIES

Risk Management

The Hospital is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Management believes that the malpractice insurance coverage is adequate to cover all asserted and any unasserted claims, therefore no related liability has been accrued. Guthrie County Hospital is exposed to various other common business risks for which it is covered by commercial insurance. Settled claims from these risks have not exceeded insurance coverage during the past three fiscal years.

Notes Receivable

The notes receivable represent funds advanced under an agreement with a healthcare professional now practicing in the community. The agreement includes commitments by the healthcare professional to provide medical services in the community for a specified period of years. In exchange for the commitments of time and services, the Hospital will forgive the notes over the term of the commitments.

Construction in Progress

The \$138,276 in construction in progress at June 30, 2015 is related to various small projects for which no material commitments exist as of the date of this report.

Subsequent Events

The Hospital has evaluated all subsequent events through September 23, 2015, the date the financial statements were available to be issued.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2015 and 2014

NOTE L - DEFICIT UNRESTRICTED NET POSITION

The Hospital had a deficit unrestricted net position at June 30, 2015, entirely due to the net pension liability and related deferrals of resources. Total net position remained positive.

NOTE M - ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Net Position</u>
Net position June 30, 2014, as previously reported	\$ 10,518,389
Net pension liability at June 30, 2014	(5,375,193)
Deferred outflows of resources related to contributions made after the July 30, 2013 measurement date	<u>531,724</u>
Net position July 1, 2014, as restated	<u>\$ 5,674,920</u>

* * *

REQUIRED SUPPLEMENTARY INFORMATION

GUTHRIE COUNTY HOSPITAL
Budgetary Comparison Schedule
Year Ended June 30, 2015

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Auditing Standards. In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and hearings. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The following is a reconciliation between reported amounts and the modified accrual basis used to prepare the budget. The adjustments result from accounting for interest, amortization, and net position differently for financial statement and budget purposes.

	Per Financial Statements			
	Unrestricted Fund	Restricted Fund	Total	
Amount raised by taxation	\$ 1,599,882	\$ --	\$ 1,599,882	
Other revenues	13,342,974	6,570	13,349,544	
Transfers in (out)	6,209	(6,209)	--	
	14,949,065	361	14,949,426	
Expenses	14,566,794	--	14,566,794	
Net	382,271	361	382,632	
Balance beginning of year	5,433,304	241,616	5,674,920	
Balance end of year	\$ 5,815,575	\$ 241,977	\$ 6,057,552	
	Total Per Financial Statements	Budget Adjustments	Budget Basis	Adopted Budget
Amount raised by taxation	\$ 1,599,882	\$ --	\$ 1,599,882	\$ 1,537,910
Other revenues	13,349,544	119,875	13,469,419	14,078,490
	14,949,426	119,875	15,069,301	15,616,400
Expenses	14,566,794	112,458	14,679,252	15,599,000
Net	382,632	7,417	390,049	17,400
Balance beginning of year	5,674,920	4,771,316	10,446,236	10,446,236
Balance end of year	\$ 6,057,552	\$ 4,778,733	\$ 10,836,285	\$ 10,463,636

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Schedule of the Hospital's Proportionate Share of the Net IPERS Pension Liability
June 30, 2015

	<u>Required Information</u>
Hospital's proportion of the net pension liability	.089170%
Hospital's proportionate share of the net pension liability	\$ 3,609,000
Hospital's covered-employee payroll	\$ 5,977,000
Hospital's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.38%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

Note - GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Hospital will present information for those years for which information is available. The amounts presented are from the previous IPERS June 30 fiscal year. Amounts reported are rounded.

See accompanying independent auditor's report.

GUTHRIE COUNTY HOSPITAL
Schedule of Hospital IPERS Pension Contributions
Year Ended June 30,

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 525,000	\$ 531,700	\$ 532,300	\$ 466,700
Contributions in relation to the statutorily required contribution	<u>(525,000)</u>	<u>(531,700)</u>	<u>(532,300)</u>	<u>(466,700)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Hospital's covered-employee payroll	\$ 5,868,000	\$ 5,977,000	\$ 6,140,000	\$ 5,783,000
Contributions as a percentage of covered-employee payroll	8.95%	8.90%	8.67%	8.07%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 399,700	\$ 363,000	\$ 308,500	\$ 268,300	\$ 248,200	\$ 231,500
<u>(399,700)</u>	<u>(363,000)</u>	<u>(308,500)</u>	<u>(268,300)</u>	<u>(248,200)</u>	<u>(231,500)</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ 5,751,000	\$ 5,459,000	\$ 4,858,000	\$ 4,436,000	\$ 4,316,000	\$ 4,027,000
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

GUTHRIE COUNTY HOSPITAL
Notes to Required Supplementary Information - Pension Liability
Year Ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

GUTHRIE COUNTY HOSPITAL
Notes to Required Supplementary Information - Pension Liability
Year Ended June 30, 2015

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

* * *

SUPPLEMENTARY INFORMATION

GUTHRIE COUNTY HOSPITAL
Patient Receivables
June 30,

Analysis of Aging:

<u>Days Since Discharge</u>	<u>2015</u>		<u>2014</u>	
	<u>Amount</u>	<u>Percent To Total</u>	<u>Amount</u>	<u>Percent To Total</u>
In hospital - 30	\$ 1,207,689	67%	\$ 1,362,962	71%
31 - 60	257,302	14	234,245	12
61 - 90	96,451	5	86,355	5
91 - 120	49,789	3	45,303	2
121 and over	<u>196,938</u>	<u>11</u>	<u>196,727</u>	<u>10</u>
	1,808,169	<u>100%</u>	1,925,592	<u>100%</u>
Allowance for doubtful accounts	250,000		189,200	
Allowance for contractual adjustments	<u>276,000</u>		<u>226,600</u>	
	<u>\$ 1,282,169</u>		<u>\$ 1,509,792</u>	

Allowance for Doubtful Accounts:

	<u>Year ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Balance, beginning	\$ 189,200	\$ 375,000
Provision for bad debts	274,042	430,426
Recoveries of accounts previously written off	<u>259,043</u>	<u>816,930</u>
	722,285	1,622,356
Accounts written off	<u>472,285</u>	<u>1,433,156</u>
Balance, ending	<u>\$ 250,000</u>	<u>\$ 189,200</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Inventory/Prepaid Expense
June 30,

	<u>2015</u>	<u>2014</u>
<u>Inventory</u>		
Medical and surgical supplies	\$ 160,998	\$ 160,571
Laboratory	29,929	26,500
Pharmacy	152,305	128,140
Other	<u>19,219</u>	<u>19,219</u>
	<u>\$ 362,451</u>	<u>\$ 334,430</u>
 <u>Prepaid Expense</u>		
Insurance	\$ 33,737	\$ 25,731
Service contracts and dues	<u>203,273</u>	<u>230,727</u>
	<u>\$ 237,010</u>	<u>\$ 256,458</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Patient Service Revenue
Year ended June 30,

	<u>2015</u>	
	<u>Inpatient</u>	<u>Outpatient</u>
Daily Patient Services:		
Medical, surgical and obstetric	\$ 1,158,935	\$ --
Swing bed	--	--
	<u>1,158,935</u>	<u>--</u>
Other Nursing Services:		
Cardiac rehabilitation	--	175,265
Operating and recovery rooms	255,865	682,638
Emergency room	23,724	790,945
Central services and supply	1,151,492	297,544
Intravenous therapy	83,345	90,726
Observation	39,497	237,286
	<u>1,553,923</u>	<u>2,274,404</u>
Other Professional Services:		
Emergency room professional	8,835	387,980
Laboratory	291,999	2,117,662
Blood	20,420	39,232
Electrocardiology	5,360	73,397
Radiology	35,856	496,783
CT scan	77,867	983,401
Ultrasound	16,763	309,383
Mammography	--	263,278
Nuclear imaging	--	31,057
MRI	17,851	605,758
Pharmacy	499,247	649,972
Anesthesia	67,399	130,187
Respiratory therapy	269,294	228,545
Speech therapy	3,114	4,939
Physical therapy	85,562	905,422
Occupational therapy	--	--
Outpatient clinics	--	43,448
Diabetic education	--	13,148
Hospice	--	--
Clinic professional fees	--	--
Surgery professional fees	--	--
	<u>1,399,567</u>	<u>7,283,592</u>
	<u>\$ 4,112,425</u>	<u>\$ 9,557,996</u>

See Independent Auditor's Report.

2015			2014
Swing Bed	Physician Services	Total	Total
\$ --	\$ --	\$ 1,158,935	\$ 915,072
291,877	--	291,877	267,297
<u>291,877</u>	<u>--</u>	<u>1,450,812</u>	<u>1,182,369</u>
--	--	175,265	110,675
4,242	--	942,745	1,056,305
--	--	814,669	760,771
17,780	--	1,466,816	1,426,397
13,988	--	188,059	147,772
--	--	276,783	278,631
<u>36,010</u>	<u>--</u>	<u>3,864,337</u>	<u>3,780,551</u>
--	--	396,815	400,398
97,663	36,206	2,543,530	2,402,677
8,327	--	67,979	51,510
920	--	79,677	83,450
12,001	--	544,640	521,205
17,708	--	1,078,976	911,781
6,853	--	332,999	298,883
--	--	263,278	259,412
--	--	31,057	49,020
3,863	--	627,472	657,338
224,888	73,797	1,447,904	1,416,490
1,684	--	199,270	197,476
121,937	--	619,776	584,336
2,474	--	10,527	34,543
121,514	--	1,112,498	1,114,729
--	--	--	120,951
--	--	43,448	69,394
--	--	13,148	10,557
6,268	--	6,268	13,765
--	1,721,490	1,721,490	1,210,755
3,295	468,548	471,843	381,882
<u>629,395</u>	<u>2,300,041</u>	<u>11,612,595</u>	<u>10,790,552</u>
<u>\$ 957,282</u>	<u>\$ 2,300,041</u>	<u>\$ 16,927,744</u>	<u>\$ 15,753,472</u>

GUTHRIE COUNTY HOSPITAL
Revenue and Related Adjustments
Year ended June 30,

	<u>2015</u>	<u>2014</u>
<u>Net Patient Service Revenue</u>		
Patient service revenue	\$ 16,927,744	\$ 15,753,472
Contractual adjustments	(3,380,388)	(2,560,914)
Provision for bad debts	(274,042)	(430,426)
Charity care	(22,141)	(43,442)
	<u>\$ 13,251,173</u>	<u>\$ 12,718,690</u>
<u>Other Revenue</u>		
Dietary revenue	\$ 20,853	\$ 23,999
Congregate meals	42,991	35,659
Ancillary service coverage revenue	26,064	22,836
Outpatient clinic rental	32,478	32,711
Fitness center	51,143	52,523
Purchase discounts	10,528	23,727
Wellness revenue	551	1,522
Pharmacy student income	--	2,000
Miscellaneous income	7,871	24,783
	<u>\$ 192,479</u>	<u>\$ 219,760</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Nursing Service Expenses
Year ended June 30,

	<u>2015</u>	<u>2014</u>
Administrative:		
Salaries and wages	\$ 104,385	\$ 93,567
Employee benefits	24,983	19,474
Supplies and other expense	<u>2,438</u>	<u>287</u>
	131,806	113,328
Medical, Surgical and Obstetric:		
Salaries and wages	911,667	896,415
Employee benefits	357,621	329,174
Supplies and other expense	<u>116,432</u>	<u>125,964</u>
	1,385,720	1,351,553
Cardiac Rehabilitation:		
Salaries and wages	59,158	55,869
Employee benefits	10,512	9,505
Supplies and other expense	<u>3,571</u>	<u>3,780</u>
	73,241	69,154
Operating and Recovery Rooms:		
Salaries and wages	192,397	200,027
Employee benefits	57,536	54,593
Purchased services	99,448	21,310
Professional fees	38,628	38,840
Supplies and other expense	<u>113,500</u>	<u>110,238</u>
	501,509	425,008
Emergency Room:		
Salaries and wages	242,095	253,154
Employee benefits	69,656	79,081
Supplies and other expense	<u>91,299</u>	<u>82,224</u>
	403,050	414,459

(continued next page)

GUTHRIE COUNTY HOSPITAL
Nursing Service Expenses - Continued
Year ended June 30,

	<u>2015</u>	<u>2014</u>
Central Services and Supply:		
Salaries and wages	\$ 81,785	\$ 91,622
Employee benefits	50,438	52,235
Supplies and other expense	<u>969,491</u>	<u>982,851</u>
	1,101,714	1,126,708
Intravenous Therapy:		
Supplies and other expense	<u>1,084</u>	<u>3,475</u>
	<u>\$ 3,598,124</u>	<u>\$ 3,503,685</u>

SUMMARY

Salaries and wages	\$ 1,591,487	\$ 1,590,654
Employee benefits	570,746	544,062
Professional fees	38,628	38,840
Supplies and other expense	<u>1,397,263</u>	<u>1,330,129</u>
	<u>\$ 3,598,124</u>	<u>\$ 3,503,685</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Other Professional Service Expenses
Year ended June 30,

	<u>2015</u>	<u>2014</u>
Emergency Room Professional:		
Salaries and wages	\$ 672,652	\$ 609,455
Employee benefits	118,892	115,378
Professional fees	96,362	79,043
Supplies and other expense	<u>11,281</u>	<u>6,238</u>
	899,187	810,114
Laboratory:		
Salaries and wages	237,529	268,018
Employee benefits	71,889	89,104
Professional fees	1,531	1,706
Supplies and other expense	<u>350,301</u>	<u>319,265</u>
	661,250	678,093
Blood:		
Blood	46,197	29,701
Electrocardiology:		
Salaries and wages	21,573	9,727
Employee benefits	10,942	3,521
Supplies and other expense	<u>176</u>	<u>329</u>
	32,691	13,577
Radiology:		
Salaries and wages	207,108	208,630
Employee benefits	76,835	77,527
Supplies and other expense	<u>98,801</u>	<u>95,973</u>
	382,744	382,130
CT Scan:		
Salaries and wages	20,104	16,532
Employee benefits	6,617	5,436
Supplies and other expense	<u>110,707</u>	<u>107,933</u>
	137,428	129,901
Ultrasound:		
Salaries and wages	8,553	8,103
Employee benefits	3,653	3,183
Supplies and other expense	<u>75,565</u>	<u>54,206</u>
	87,771	65,492

(continued next page)

GUTHRIE COUNTY HOSPITAL
Other Professional Service Expenses - Continued
Year ended June 30,

	<u>2015</u>	<u>2014</u>
Mammography:		
Salaries and wages	\$ 7,380	\$ 7,315
Employee benefits	2,932	2,815
Supplies and other expense	<u>52,933</u>	<u>56,716</u>
	63,245	66,846
Nuclear Imaging:		
Supplies and other expense	19,208	25,342
MRI:		
Supplies and other expense	88,755	94,276
Pharmacy:		
Salaries and wages	331,590	311,468
Employee benefits	90,511	88,211
Professional fees	23,695	22,135
Drugs	280,255	191,310
Supplies and other expense	<u>40,284</u>	<u>34,375</u>
	766,335	647,499
Anesthesia:		
Professional fees	166,170	173,970
Supplies and other expense	<u>942</u>	<u>1,840</u>
	167,112	175,810
Respiratory Therapy:		
Salaries and wages	81,320	105,161
Employee benefits	16,301	26,426
Oxygen, supplies and other expense	<u>72,277</u>	<u>68,732</u>
	169,898	200,319
Speech Therapy:		
Salaries and wages	2,931	--
Employee benefits	396	--
Professional fees	8,376	20,410
Supplies and other expense	<u>1,555</u>	<u>--</u>
	13,258	20,410
Physical Therapy:		
Salaries and wages	314,735	313,556
Employee benefits	105,008	103,646
Supplies and other expense	<u>14,992</u>	<u>20,320</u>
	434,735	437,522

(continued next page)

GUTHRIE COUNTY HOSPITAL
Other Professional Service Expenses - Continued
Year ended June 30,

	<u>2015</u>	<u>2014</u>
Occupational Therapy:		
Professional fees	\$ --	\$ 47,200
Supplies and other expense	--	212
	<u> --</u>	<u> 47,412</u>
Medical Records:		
Salaries and wages	146,194	154,781
Employee benefits	67,922	67,948
Supplies and other expense	22,600	32,512
	<u> 236,716</u>	<u> 255,241</u>
Social Services:		
Salaries and wages	29,815	28,339
Employee benefits	12,070	12,135
Supplies and other expense	67	537
	<u> 41,952</u>	<u> 41,011</u>
Outpatient Clinics:		
Salaries and wages	121,028	100,467
Employee benefits	30,078	27,771
Professional fees	2,607	--
Supplies and other expense	8,544	8,646
	<u> 162,257</u>	<u> 136,884</u>
Fitness Center:		
Salaries and wages	43,579	39,541
Employee benefits	21,508	12,797
Supplies and other expense	9,030	8,572
	<u> 74,117</u>	<u> 60,910</u>
Diabetic Education:		
Salaries and wages	12,153	15,771
Employee benefits	2,046	2,745
Supplies and other expense	2,231	227
	<u> 16,430</u>	<u> 18,743</u>
	<u>\$ 4,501,286</u>	<u>\$ 4,337,233</u>

SUMMARY

Salaries and wages	\$ 2,258,244	\$ 2,196,864
Employee benefits	637,600	638,643
Professional fees	298,741	344,464
Supplies and other expense	<u>1,306,701</u>	<u>1,157,262</u>
	<u>\$ 4,501,286</u>	<u>\$ 4,337,233</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Physician Services Expenses
Year ended June 30,

	<u>2015</u>	<u>2014</u>
Physician Service:		
Salaries and wages	\$ 836,100	\$ 809,854
Employee benefits	188,773	178,263
Supplies and other expense	<u>111,759</u>	<u>77,409</u>
	1,136,632	1,065,526
Nursing Service:		
Salaries and wages	127,539	133,112
Employee benefits	47,359	44,024
Medical supplies	39,828	40,613
Supplies and other expense	<u>37,215</u>	<u>43,577</u>
	251,941	261,326
Business Office:		
Salaries and wages	140,424	131,306
Employee benefits	67,263	62,129
Supplies and other expense	<u>84,959</u>	<u>46,101</u>
	292,646	239,536
Occupancy Costs:		
Rent	5,301	5,543
Utilities	<u>30,880</u>	<u>33,712</u>
	36,181	39,255
Surgery Services:		
Salaries and wages	39,744	43,100
Employee benefits	15,214	14,410
Professional fees	292,831	303,660
Supplies and other expense	<u>33,813</u>	<u>25,969</u>
	<u>381,602</u>	<u>387,139</u>
	<u>\$ 2,099,002</u>	<u>\$ 1,992,782</u>

SUMMARY

Salaries and wages	\$ 1,143,807	\$ 1,117,372
Employee benefits	318,609	298,826
Professional fees	292,831	303,660
Supplies and other expense	<u>343,755</u>	<u>272,924</u>
	<u>\$ 2,099,002</u>	<u>\$ 1,992,782</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
General Service Expenses
Year ended June 30,

	<u>2015</u>	<u>2014</u>
Dietary:		
Salaries and wages	\$ 179,903	\$ 171,861
Employee benefits	123,808	109,794
Food	114,810	103,476
Supplies and other expense	<u>28,571</u>	<u>25,244</u>
	447,092	410,375
Operation of Plant:		
Salaries and wages	171,296	199,239
Employee benefits	52,719	56,377
Electricity	144,225	158,069
Natural gas	66,747	82,076
Supplies and other expense	<u>116,497</u>	<u>91,558</u>
	551,484	587,319
Housekeeping:		
Salaries and wages	128,491	127,406
Employee benefits	71,029	69,898
Supplies and other expense	<u>14,176</u>	<u>16,191</u>
	213,696	213,495
Laundry and Linen:		
Purchased services	17,020	12,675
Supplies and other expense	<u>175</u>	<u>1,246</u>
	<u>17,195</u>	<u>13,921</u>
	<u>\$ 1,229,467</u>	<u>\$ 1,225,110</u>

SUMMARY

Salaries and wages	\$ 479,690	\$ 498,506
Employee benefits	247,556	236,069
Supplies and other expense	<u>502,221</u>	<u>490,535</u>
	<u>\$ 1,229,467</u>	<u>\$ 1,225,110</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Fiscal and Administrative Service Expenses
Year ended June 30,

	<u>2015</u>	<u>2014</u>
Fiscal and Administrative:		
Salaries and wages	\$ 402,455	\$ 565,869
Employee benefits	(164,015)	204,158
Advertising	35,188	30,128
Telephone	27,642	28,672
Supplies and minor equipment	21,162	22,857
Collection expense	62,695	44,598
Computer maintenance	121,221	100,157
Education and meetings	16,251	27,666
Professional fees	352,277	230,674
Printing and postage	8,515	4,984
Purchased services	73,963	69,276
Dues and subscriptions	19,016	18,669
	<u>976,370</u>	<u>1,347,708</u>
Admissions Office:		
Salaries and wages	70,866	75,435
Employee benefits	39,226	36,804
Supplies and other expense	5,012	5,482
	<u>115,104</u>	<u>117,721</u>
Information Systems:		
Salaries and wages	157,283	165,028
Employee benefits	61,437	53,604
Supplies and other expense	54,320	112,971
	<u>273,040</u>	<u>331,603</u>
Employee Welfare:		
Salaries and wages	110,201	102,163
Employee benefits	32,249	30,658
Group health and life benefit	85,314	77,265
Workers' compensation insurance	68,869	88,950
Unemployment expense	8,035	12,344
Supplies and other expense	43,901	62,082
	<u>348,569</u>	<u>373,462</u>
Insurance:		
Liability and property insurance	102,994	94,837
	<u>\$ 1,816,077</u>	<u>\$ 2,265,331</u>

(continued next page)

GUTHRIE COUNTY HOSPITAL
Fiscal and Administrative Service Expenses - Continued
Year ended June 30,

	<u>2015</u>	<u>2014</u>
<u>SUMMARY</u>		
Salaries and wages	\$ 740,805	\$ 908,495
Employee benefits	131,115	503,783
Professional fees	352,277	230,674
Supplies and other expense	<u>591,880</u>	<u>622,379</u>
	<u>\$ 1,816,077</u>	<u>\$ 2,265,331</u>

<u>SUMMARY OF EXPENSES</u>		
Salaries and wages	\$ 6,214,033	\$ 6,311,891
Employee benefits	1,905,626	2,221,383
Professional fees	982,477	917,638
Supplies and other expense	<u>4,141,820</u>	<u>3,873,229</u>
	<u>\$ 13,243,956</u>	<u>\$ 13,324,141</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Comparative Statistics
Year ended June 30,

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Acute Care:					
Admissions	327	283	336	307	409
Discharges	329	278	330	307	407
Patient days	1,086	862	1,092	1,015	1,197
Average length of stay	3.30	3.10	3.31	3.31	2.94
Average occupied beds	3.0	2.4	3.0	2.8	3.3
Swing Bed Program:					
Admissions	125	130	152	140	182
Discharges	123	132	150	141	182
Patient days	818	799	901	966	1,156
Combined Average Occupied Beds	5.2	4.6	5.5	5.4	6.4
Outpatient Occasions of Service	35,795	35,524	37,334	35,075	34,368

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Comparative Statements of Net Position
June 30,

	<u>2015</u>	<u>Not Restated 2014</u>
Current Assets:		
Cash	\$ 3,395,975	\$ 1,441,006
Patient receivables, net	1,282,169	1,509,792
Other receivables	15,687	20,187
Inventory	362,451	334,430
Prepaid expense	237,010	256,458
Other current assets	18,559	20,373
Estimated third-party payor settlements	--	14,100
Succeeding year property tax receivable	1,572,000	1,538,000
Internally designated assets	<u>242,822</u>	<u>242,447</u>
Total current assets	7,126,673	5,376,793
Other Assets:		
Capital assets, net	9,930,992	10,937,540
Notes receivable	40,714	54,286
Other	<u>39,153</u>	<u>46,570</u>
Total other assets	10,010,859	11,038,396
Deferred Outflows of Resources	<u>458,436</u>	<u>--</u>
Total assets and deferred outflows of resources	<u>\$ 17,595,968</u>	<u>\$ 16,415,189</u>
Current Liabilities:		
Current maturities of long-term debt	\$ 599,842	\$ 595,924
Accounts payable	340,801	453,021
Accrued expenses	668,018	639,278
Accrued interest	82	146
Estimated third-party payor settlements	<u>1,302,000</u>	<u>--</u>
Total current liabilities	2,910,743	1,688,369
Long-Term Liabilities:		
Long-term debt, net	2,070,588	2,670,431
Net pension liability	<u>3,608,795</u>	<u>--</u>
Total liabilities	8,590,126	4,358,800
Deferred Inflows of Resources	2,948,290	1,538,000
Net Position	<u>6,057,552</u>	<u>10,518,389</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 17,595,968</u>	<u>\$ 16,415,189</u>

See Independent Auditor's Report.

Not Restated		
2013	2012	2011
\$ 536,512	\$ 1,939,153	\$ 1,228,512
1,979,001	1,308,606	1,461,186
181,715	22,326	470,178
304,675	310,851	294,031
231,934	212,268	144,225
20,541	22,008	23,128
128,900	480,500	413,000
1,539,000	1,529,000	1,430,000
244,241	241,842	243,116
5,166,519	6,066,554	5,707,376
11,668,217	10,825,265	11,070,142
67,857	81,428	100,000
53,987	61,404	68,820
11,790,061	10,968,097	11,238,962
--	--	--
\$ 16,956,580	\$ 17,034,651	\$ 16,946,338
\$ 599,636	\$ 618,470	\$ 510,000
655,554	362,405	601,593
621,962	565,688	566,920
207	270	--
--	--	--
1,877,359	1,546,833	1,678,513
3,266,354	3,865,991	3,997,500
--	--	--
5,143,713	5,412,824	5,676,013
1,539,000	1,529,000	1,430,000
10,273,867	10,092,827	9,840,325
\$ 16,956,580	\$ 17,034,651	\$ 16,946,338

GUTHRIE COUNTY HOSPITAL
Comparative Statements of Revenues, Expenses and Changes in Net Position
Year ended June 30,

	<u>2015</u>	<u>Not Restated 2014</u>
Patient Service Revenue	\$ 16,927,744	\$ 15,753,472
Adjustments to Patient Service Revenue	<u>(3,676,571)</u>	<u>(3,034,782)</u>
Net Patient Service Revenue	13,251,173	12,718,690
Other Revenue	<u>192,479</u>	<u>219,760</u>
Total Revenue	13,443,652	12,938,450
Expenses	<u>14,566,794</u>	<u>14,687,243</u>
Operating Loss	(1,123,142)	(1,748,793)
Non-Operating Revenues, Net	<u>1,499,204</u>	<u>1,469,474</u>
Excess of Revenues Over Expenses (Expenses Over Revenues) Before Capital Grants and Contributions	376,062	(279,319)
Capital Grants and Contributions	<u>6,570</u>	<u>523,841</u>
Increase in Net Position	<u>\$ 382,632</u>	<u>\$ 244,522</u>

See Independent Auditor's Report.

	Not Restated	
2013	2012	2011
\$ 15,841,890	\$ 15,076,192	\$ 14,454,119
(3,084,247)	(2,592,212)	(2,763,464)
12,757,643	12,483,980	11,690,655
188,059	189,792	201,746
12,945,702	12,673,772	11,892,401
14,763,174	13,776,651	12,938,786
(1,817,472)	(1,102,879)	(1,046,385)
1,449,571	1,349,838	1,288,757
(367,901)	246,959	242,372
548,941	5,543	761,621
\$ 181,040	\$ 252,502	\$ 1,003,993

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Trustees
Guthrie County Hospital
Guthrie Center, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Guthrie County Hospital, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Guthrie County Hospital's basic financial statements and have issued our report thereon dated September 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Guthrie County Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Guthrie County Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Guthrie County Hospital's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: 15-I-A.

To the Board of Trustees
Guthrie County Hospital

Compliance and Other Matters

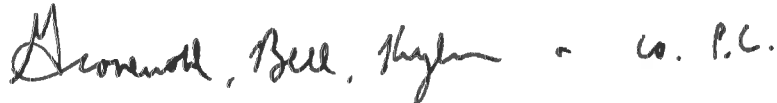
As part of obtaining reasonable assurance about whether the Guthrie County Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item: 15-II-G.

Responses to Findings

Guthrie County Hospital's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Guthrie County Hospital's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deonah Bell, Thylor & Co. P.C.

Atlantic, Iowa
September 23, 2015

GUTHRIE COUNTY HOSPITAL
Schedule of Findings and Responses

Year ended June 30, 2015

PART I - SIGNIFICANT DEFICIENCIES

15-I-A Segregation of Duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Hospital. This deficiency is common among most small rural hospitals.

Recommendation: We recognize that it may not be economically feasible for the Hospital to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Hospital to employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

PART II - OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

15-II-A Certified Budget: Hospital expenditures during the year ended June 30, 2015 did not exceed the amount budgeted.

15-II-B Questionable Expenditures: During the audit, we noted no expenditures for parties, banquets or other entertainment for employees or Board members.

15-II-C Travel Expense: No expenditures of Hospital money for travel expenses of spouses of Hospital officials or employees were noted.

15-II-D Business Transactions: No business transactions between the Hospital and Hospital officials or employees were noted.

15-II-E Board Minutes: No transactions requiring Board approval were noted which had not been approved.

15-II-F Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Hospital's investment policy were noted.

GUTHRIE COUNTY HOSPITAL

Schedule of Findings and Responses - Continued

Year ended June 30, 2015

PART II - OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING -
Continued

15-II-G Financial Condition: The Hospital has a deficit in unrestricted net position of \$1,440,962 at June 30, 2015 as a result of recording its share of the IPERS net unfunded pension liability.

Recommendation: The Hospital management should remain aware of this deficit, and its cause, and comply with IPERS plan to reduce the deficit over a period of years.

Response: The deficit was the result of recognizing the Hospital's proportionate share of IPERS' net pension liability. The Hospital realizes this liability is not due and payable immediately. Rather the pension liability will be paid down over a period of time with the Hospital's future employer share of IPERS contributions.

Conclusion: Response accepted.

* * *